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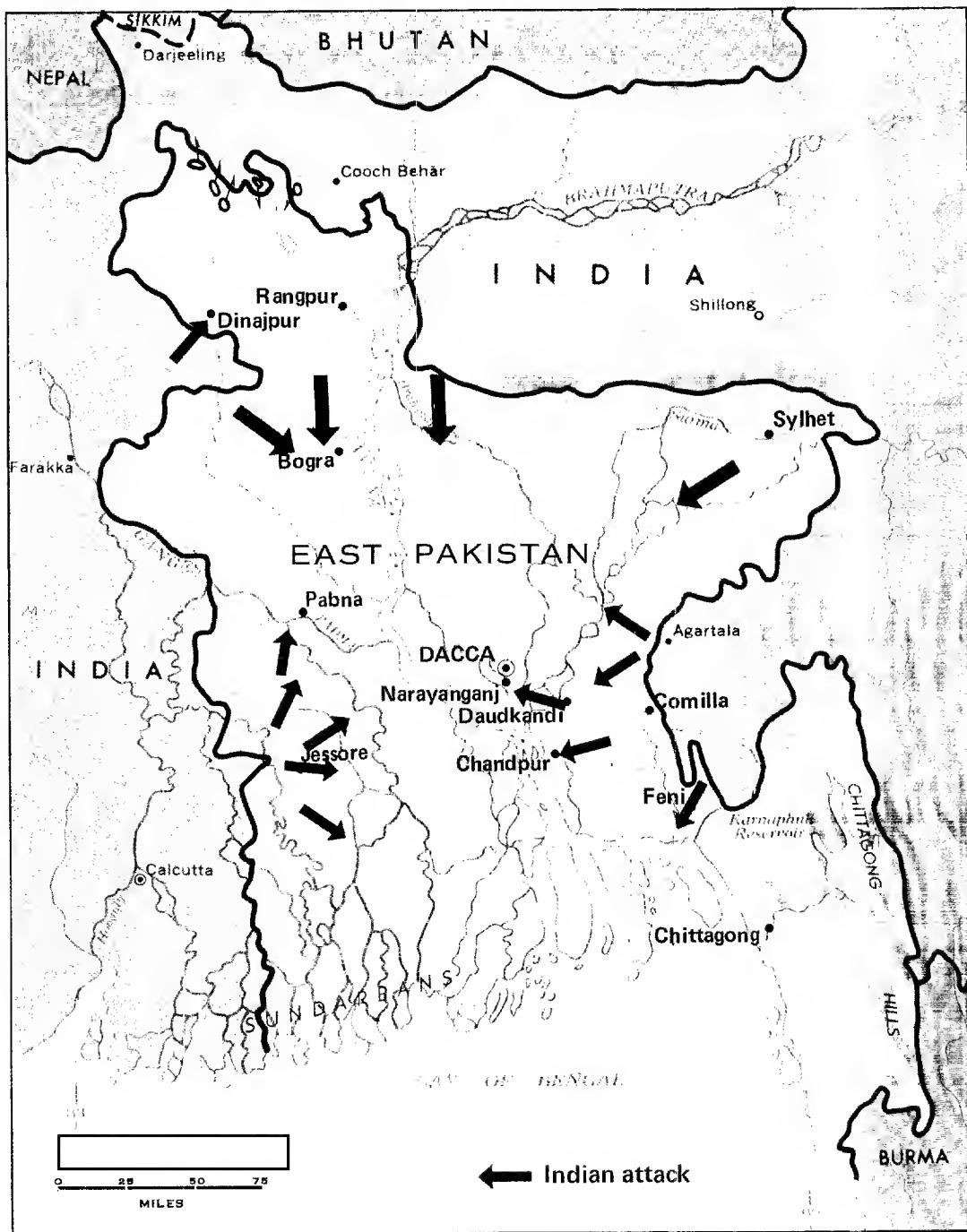
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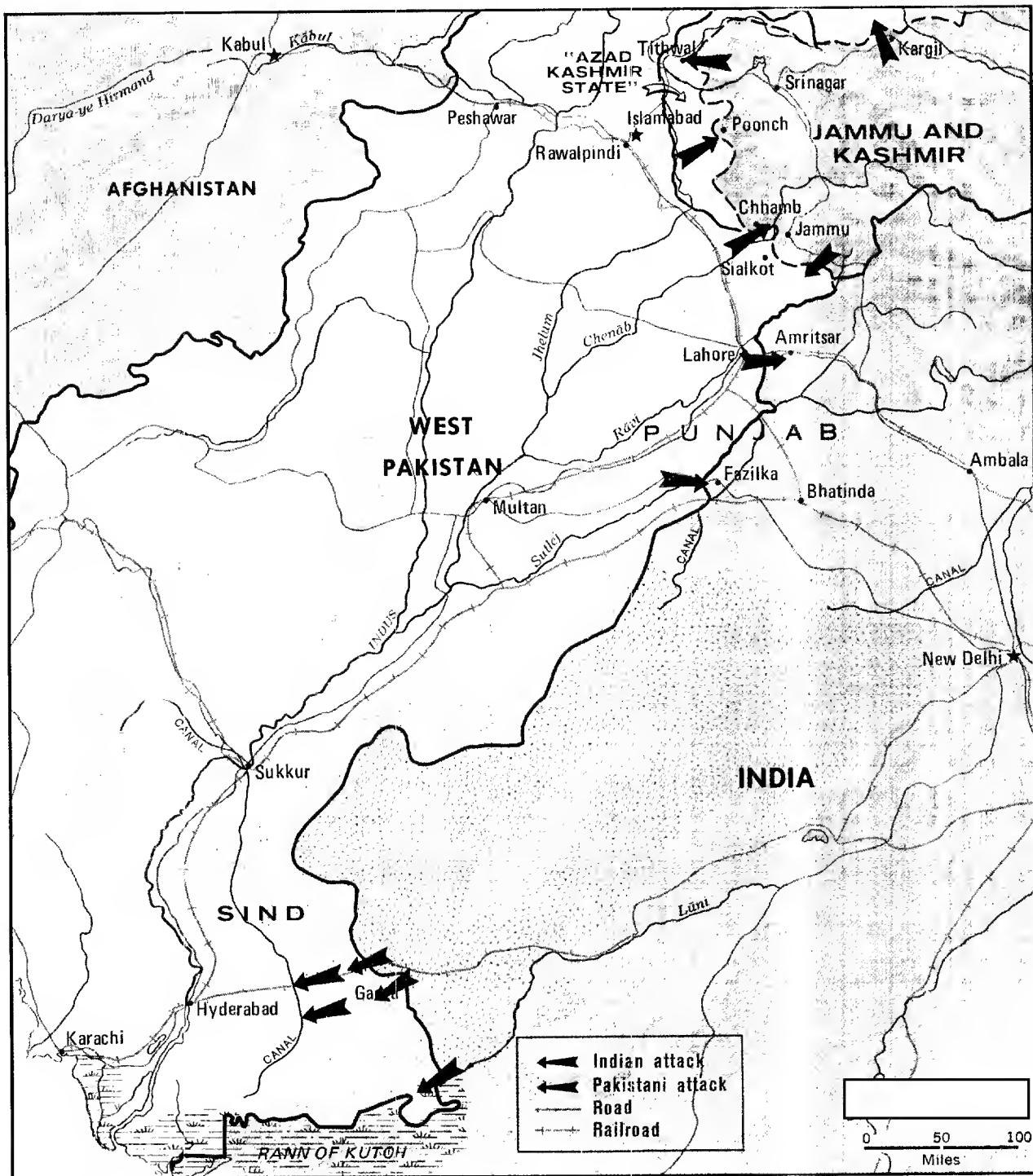
C INDIA-PAKISTAN: Pakistani resistance in East Pakistan appears on the verge of collapse as Indian troops close in on Dacca.

Although Pakistani forces continue to hold on in some isolated areas, the Indians are maintaining their momentum throughout most of the province. The most important action is now going on in the area around Dacca. Daudkandi and Chandpur reportedly have fallen, and the Indians claim to have crossed the Meghna River in two places and to have captured Narayanganj, the key port town just six miles south of the capital. If Pakistani forces should make a stand at Dacca, they probably could not hold out more than a few days.

The Indian commander on the eastern front told reporters that retreating Pakistani soldiers were being attacked from the air as they try to reach Dacca and the port of Chittagong in sampans, barges, and river boats. Press reports also indicated that some Pakistani units were trying to make their way to the ports of Narayanganj and Barisal. Indian Chief of Staff Manekshaw broadcast an appeal yesterday to Pakistani troops to surrender and told them they faced "certain death" if they tried to escape by sea.

The Indians reportedly are now shifting some aircraft from the eastern to the western front, where the opposing air forces are now generally comparable. Most of Pakistan's fighters are based in the north, where they are supporting ground operations and reportedly continuing to attack Indian airfields near the border. The Pakistani fighter squadrons at Karachi, however, have apparently been unable to offer much resistance to Indian bombers.

On the sea, the Pakistanis have apparently given up trying to contest the approaches to their ports in both the west and the east. The Indian]



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C Navy--particularly the Soviet-supplied Osa cruise missile patrol boats--has driven most of the major Pakistani naval units into Karachi port. Both sides claim to have damaged or sunk enemy submarines, but there is a lack of independent evidence.

The Indian Navy and Air Force bombarded the Karachi area again yesterday. On 8 and 9 December their air strikes hit the harbor area and dealt a major blow to West Pakistan's POL supply [redacted]

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[redacted] about 30 percent of the port's oil storage capacity--some 15 percent of the country's total--has been destroyed or seriously damaged. [redacted]

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[redacted] there was a strong possibility that the rest of the storage area would go unless the oil fires could soon be brought under control.

On the western front, the Indians claim to have beaten back several attacks around Poonch in Kashmir and to have recrossed a river near Chhamb, where the Pakistanis have been mounting their largest offensive. Islamabad claims to have halted an Indian drive in the Sialkot area. Indian forces continue to advance virtually unopposed in Sind Province, but thus far they have captured little of importance there. There have been no further reports on the fighting north of Poonch at Tithwal and Kargil.

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UN efforts to stop the war may soon shift back from the General Assembly to the Security Council. There appears to be a consensus at the UN that the [redacted]

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Security Council must seriously consult on the conflict within the next two or three days. Both Indian Foreign Minister Singh and Pakistani Foreign Minister-designate Bhutto were expected to arrive at the UN by today. Pakistan already has formally accepted the General Assembly's demand for a cease-fire and troop withdrawal. Both India and the Soviet Union, however, are expected to continue to resist proposals that would halt the fighting, at least until East Pakistan has fallen.

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EAST GERMANY - WEST GERMANY: The inner-Berlin talks remain stalemated.

Without an agreement on visits by West Berliners to East Berlin and East Germany, Bonn will not initial the completed inter-German agreement on transit between West Berlin and West Germany. Because of a series of linkages imposed by the major powers and Bonn, this delay blocks progress on ratification of Bonn's treaties with Moscow and Warsaw, signature of the Four-Power agreement on Berlin, and multilateral preparations for a conference on European security and cooperation.

Both Pankow and West Berlin have stated their willingness to accept the draft agreement completed on 3-4 December, but the Western side has objected vigorously to Eastern attachments to the text amplifying and interpreting the terms of the agreement. The effect of these additions is to imply recognition of East German claims of sovereignty over East Berlin and a separate political status for West Berlin. West Berlin negotiator Mueller met on 7-8 December with Pankow's First Deputy Foreign Minister Florin, a last-minute substitute for his "ailing" colleague Guenter Kohrt, to remove some of the objectionable language. Although Florin agreed to a number of revisions, he subsequently suspended the talks, notifying Mueller that West Berlin's demand that permits for visits to East Berlin and East Germany be granted on any day of the week without delay was unacceptable. Florin claimed that this demand amounted to interference in internal East German affairs.

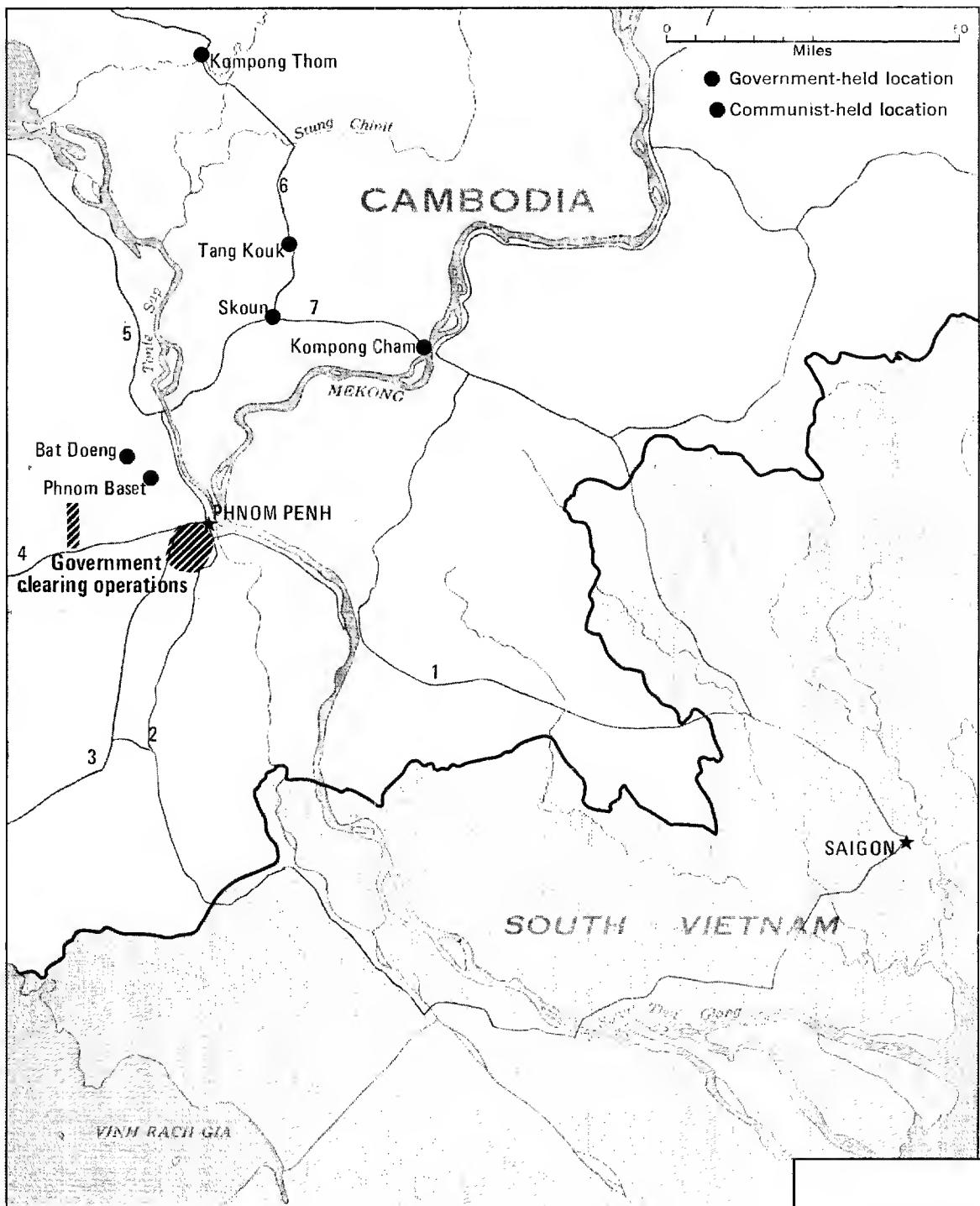
In view of the desire of the Brandt government to achieve some progress in its Ostpolitik before the federal election campaign next year, Pankow may hope to maneuver the West into accepting terms that could be turned to East Germany's advantage later on. [redacted]

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CAMBODIA: The government has launched several new clearing operations to help relieve enemy pressure in the Phnom Penh area.

The largest operation, involving seven battalions led by predominantly Khmer Krom troops, is to sweep the region just south of the city between Routes 2 and 3. Several hundred enemy troops reportedly are operating in small units in this region. West of the capital, another four battalions will try to maneuver behind suspected Communist positions.

There has been little significant military action around Phnom Penh in the past few days. Yesterday, elements of two government brigades met no resistance when they linked up with a besieged battalion at Phnom Baset, 12 miles northwest of the capital. Some sharp fighting may be in the offing in this sector, however, because Cambodian commanders are reporting sizable enemy troop concentrations near Phnom Baset.

In the north, the situation along Route 6 remains quiet, but government forces at Tang Kouk apparently are ill-prepared to withstand any determined Communist attacks. The morale of Cambodian officers and men at that town reportedly is dangerously low, and their defensive planning consists primarily of laying out zones for air drops and locating potential escape routes.

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ROMANIA-USSR: Ceausescu's presence at the Polish party congress appears designed to take the edge off the Romanian-Soviet tensions of last summer and to ensure that Romania's voice is heard in any multilateral talks.

The Romanian party leader, who did not go to the East German party congress in June, gave long consideration to the question of attending the Polish gathering, and the matter reportedly was the subject of a lively party debate, which eventually resulted in unanimous approval. An impelling factor was the opportunity for Ceausescu to talk personally with Brezhnev. The Romanians have been anxious for such a meeting and apparently actively sought, through a third party, to have Brezhnev stop over in Bucharest after his talks with Tito in late September.

Talks between the two party leaders will be difficult in view of the mutual antipathy which has developed between them. Throughout the summer they exchanged several protocol snubs. A resolution of basic differences between the two countries seems out of the question, although Ceausescu likely will adopt a responsive, if not conciliatory, posture.

Ceausescu took a moderate line in his speech at the Polish congress. Although he upheld standard Romanian principles, he avoided the defiant phraseology that characterized his speech at the Soviet party congress in April. Ceausescu's willingness to gloss over differences was also apparent in his failure to mention specifically the India-Pakistan conflict. Romania's policy of neutrality in this situation is at variance with the Soviet attitude, expounded by Brezhnev at the Polish congress.

[redacted] mutual force reductions might be discussed by the Warsaw Pact party chiefs either during or after the congress. Ceausescu would be anxious to have a voice in such talks.

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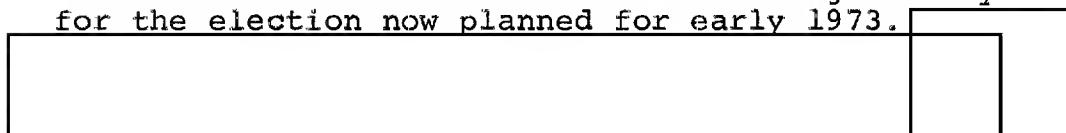
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ARGENTINA: The government's recently announced economic program for 1972 is a politically inspired compromise that will do little to solve the country's economic problems.

The government apparently hopes to maintain real wages as a stimulus to economic growth and social peace, but this will be difficult to achieve in the face of worsening inflation. Effective 1 January, wages and family allowances are to be increased but, because price controls also are being relaxed, the raises are likely again to accelerate Argentina's inflation rate. Inflation this year is expected to reach 36 percent, despite the temporary price freeze instituted in September which is still partially in effect.

The program also sets forth a number of other goals that will be difficult to achieve. The current abnormally large budget deficit is to be reduced, many taxes are to be lowered, public services are to be improved, meat exports are to be increased from 1971's low levels, and industrial output is to be raised behind "reasonable duty protection." Some of these goals are overambitious and others contradictory. Moreover, it is doubtful that they will have the desired effect of smoothing the way for the election now planned for early 1973.

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POLAND: In the major economic address delivered at the party congress, Premier Jaroszewicz looked ahead to a brighter economic future, but he made it clear that the road would be long and arduous.

Jaroszewicz cited, as have all Polish officials since party chief Gierek came to power a year ago, the importance with which the regime views consumer interests. The premier promised increased availability of food, housing, and heating supplies, and improved urban transport facilities, but he also emphasized the importance of industrial development. Jaroszewicz noted that the increased consumption provided for in the plan is based to a great extent on the production of enterprises that are just now being, or soon will be, constructed.

The plan's foremost goals are more efficient use of investments and a resultant increase in industrial production. The premier asserted it will be necessary to utilize foreign credits more fully to import the wherewithall for modernizing domestic industry and for increasing consumer goods output. Jaroszewicz stressed the importance of Poland's relationship with the USSR and the need to increase ties with the other members of the Council for Mutual Economic Assistance.

Warsaw apparently is in the process of devising changes in the system of planning and management, but will move very cautiously to avoid engendering Soviet displeasure. The regime, stressing the need for strengthened central planning, apparently will concentrate its efforts on determining broad social objectives and the major trends of economic development. Managers of individual enterprises will be given greater responsibility for their own day-to-day operations. The role of profitability is to be increased and enterprises permitted to make independent investments from their own funds and from bank credits.

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The relative economic improvement registered over the past year may give the regime a measure of flexibility that it would otherwise not have. Neither rapid implementation of changes nor immediate economic improvement, however, can be anticipated.

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CHAD: Frictions within the regime have developed over the handling of Chad's first student strike; a shake-up could follow.

President Tombalbaye in a radio speech strongly condemned the National Political Bureau for its use of force and its inept mediation in dealing with a strike that erupted in Fort Lamy's secondary schools late last month during his absence from the capital. Accusing some of his colleagues of letting the strike get dangerously out of hand, the President promised an investigation and severe punishment for those responsible. Politburo members reportedly acknowledge these shortcomings, but nevertheless are upset about Tombalbaye's failure to back their actions and about his accommodation of the students.

The schools reopened Wednesday in apparent calm after Tombalbaye met with the students. He asserted that their strike was justified and promised to end alleged discrimination by French teachers against Chadian students and to consider readmitting the six students whose expulsion triggered the strike.

Tombalbaye may now bring some younger and more pragmatic replacements into the leadership to avoid another rash confrontation with Chad's heretofore quiescent youth. None of Tombalbaye's hard-line associates appears to have the stature or following to challenge seriously such a move.

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